



SECURITY COMMISSION



07006117

## ANNUAL AUDITED REPORT

FORM X-17A-5

## PART III

FACING PAGE

## Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL

OMB Number: 3235-0123

Expires: February 28, 2010

Estimated average burden hours per response..... 12.00

SEC FILE NUMBER

8- 48685

REPORT FOR THE PERIOD BEGINNING 01/01/2006 AND ENDING 12/31/2006

MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: *United Brokerage Services, Inc.*

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

514 Market Street

(No. and Street)

Parkersburg

WV

26101

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Damon White

202 638-7733

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ernst &amp; Young

(Name - if individual, state last, first, middle name)

500 Virginia Street, East

Charleston

WV

25301

(Address)

(City)

(State)

(Zip Code)

## CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED

APR 11 2007

FOR OFFICIAL USE ONLY

J THOMSON  
FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

AB  
4/5

## OATH OR AFFIRMATION

I, Damon White, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of United Brokerage Services, Inc., as of December 31, 2006, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Damon White  
Signature

Senior Vice President & Principal  
Title

Patrice A. Lewis  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

Patrice A. Lewis  
Notary Public, District of Columbia  
My Commission Expires 9-14-2010



\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Subscribed and Sworn to before me, in my presence,  
this 26 day of February, 2007  
Patrice A. Lewis  
Notary Public, D.C.  
9-14-2010

United Brokerage Services, Inc.  
Financial Statements and Supplementary Information  
Year Ended December 31, 2006

**Contents**

Report of Independent Registered Public Accounting Firm.....	1
Financial Statements	
Statement of Financial Condition .....	2
Statement of Income .....	3
Statement of Changes in Shareholder's Equity .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements.....	6
Supplementary Information	
Computation of Net Capital Under Rule 15c3-1 .....	9
Statement Regarding Rule 15c3-3 .....	10
Supplementary Report	
Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5 .....	11

## Report of Independent Registered Public Accounting Firm

The Board of Directors  
United Brokerage Services, Inc.

We have audited the accompanying statement of financial condition of United Brokerage Services, Inc. (the Company), a wholly owned subsidiary of United Bank, Inc., as of December 31, 2006, and the related statements of income, changes in shareholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Brokerage Services, Inc. at December 31, 2006, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by Rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ernst & Young LLP*

February 27, 2007

United Brokerage Services, Inc.

Statement of Financial Condition

December 31, 2006

**Assets**

Cash and cash equivalents	\$ —
Receivable from clearing broker	419,755
Securities owned, at market value	2,747,061
Prepaid expenses	40,752
Allocated pension asset	169,774
Fixed assets, at cost (net of accumulated depreciation of \$176,871)	51,397
Other assets	99,080
Total assets	<u>\$ 3,527,819</u>

**Liabilities**

Accounts payable and accrued expenses	\$ 351,854
Deferred tax liability	67,580
	<u>419,434</u>

**Shareholder's equity**

Common stock, \$10 par value; 50,000 shares authorized, issued and outstanding	500,000
Additional paid-in capital	100,338
Retained earnings	2,508,047
Total shareholder's equity	<u>3,108,385</u>
Total liabilities and shareholder's equity	<u>\$ 3,527,819</u>

*See accompanying notes.*

United Brokerage Services, Inc.

Statement of Income

Year Ended December 31, 2006

**Revenues**

Brokerage commissions	\$ 3,337,374
Investment income	108,371
Total revenues	<u>3,445,745</u>

**Expenses**

Salaries and employee benefits	1,837,025
Data processing	62,401
Clearing costs	126,454
Professional fees	97,851
Travel	41,084
Publications and subscriptions	2,109
Occupancy and equipment	65,075
Insurance expense	19,546
Other	238,376
Total expenses	<u>2,489,921</u>

Income before income taxes	955,824
Income tax expense	303,227
Net income	<u>\$ 652,597</u>

*See accompanying notes.*

# United Brokerage Services, Inc.

## Statement of Changes in Shareholder's Equity

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance at January 1, 2006	\$ 500,000	\$ 100,338	\$ 2,355,450	\$ 2,955,788
Net income	—	—	652,597	652,597
Dividend	—	—	(500,000)	(500,000)
Balance at December 31, 2006	<u>\$ 500,000</u>	<u>\$ 100,338</u>	<u>\$ 2,508,047</u>	<u>\$ 3,108,385</u>

*See accompanying notes.*

United Brokerage Services, Inc.

Statement of Cash Flows

Year Ended December 31, 2006

**Cash flows from operating activities**

Net income	\$ 652,597
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	14,030
Deferred income tax expense	64,273
Payments to purchase securities	(1,450,092)
Proceeds from the sale of securities	1,262,615
Increase in receivable from clearing broker	(139,162)
Increase in prepaid expenses and other assets	(106,820)
Net pension contribution	(160,076)
Increase in accounts payable and accrued expenses	282,121
Net cash provided by operating activities	<u>419,486</u>

**Cash flows from investing activities**

Purchase of premises and equipment	<u>(30,406)</u>
Net cash used in investing activities	<u>(30,406)</u>

**Cash flows from financing activities**

Dividends paid	<u>(500,000)</u>
Net cash used in financing activities	<u>(500,000)</u>

Decrease in cash and cash equivalents	(110,920)
Cash and cash equivalents at January 1, 2006	110,920
Cash and cash equivalents at December 31, 2006	<u>\$ —</u>

*See accompanying notes.*

# United Brokerage Services, Inc.

## Notes to Financial Statements

December 31, 2006

### 1. Nature of Operations

#### Organization

United Brokerage Services, Inc. (the Company) is a licensed broker/dealer approved by the National Association of Security Dealers, Inc. (NASD). The Company is a wholly owned subsidiary of United Bank, Inc. (United), which is a wholly owned subsidiary of United Bankshares, Inc. (UBSI) and operates principally in the West Virginia, Virginia, and Washington, D.C. markets. The company offers retail brokerage services relating to securities and related products on a fully disclosed basis.

The Company clears its security transactions on a fully disclosed basis through First Clearing, LLC.

#### Capital and Reserve Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Such Rule prohibits a broker/dealer from engaging in securities transactions when its "aggregate indebtedness" to all other persons exceeds 15 times its "net capital," as those terms are defined, subject to a \$250,000 minimum net capital requirement. At December 31, 2006, the Company had net capital of \$2,279,794, which is \$2,029,794 in excess of its required net capital of \$250,000 at December 31, 2006. The Company is exempt from Rule 15c3-3 of the Securities and Exchange Act of 1934 under Section (k)(2)(ii) of that Rule as all transactions are cleared through another broker/dealer on a fully disclosed basis.

### 2. Significant Accounting Policies

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States (GAAP). A description of the significant accounting policies is presented below.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual amounts could differ from those estimates.

Substantially all of the Company's financial assets and liabilities are carried at market value or at amounts that, because of their short-term nature, approximate fair value.

# United Brokerage Services, Inc.

## Notes to Financial Statements (continued)

### 2. Significant Accounting Policies (continued)

#### Cash and Cash Equivalents

Cash consists of a checking account maintained at United and cash on deposit with the clearing broker.

#### Securities Owned

Securities transactions are recorded on a trade date basis. Securities owned are stated at fair value with changes in the fair value recorded in the statement of income. Fair value is based on listed market prices. Securities consist primarily of units of ownership in a money market fund managed by Evergreen and a restricted interest-bearing account held at United. The balance of the restricted interest-bearing account as of December 31, 2006, was \$20,703.

#### Fixed Assets

Fixed assets include equipment, which is depreciated using the straight-line method over the useful lives of the assets. Total depreciation expense recorded as of December 31, 2006, was \$14,030.

#### Revenues

Revenues are recorded as the income is earned and the related service is performed.

#### Advertising Costs

All advertising costs are expensed as incurred.

#### Income Taxes

The Company is included in the consolidated federal income tax return filed by its ultimate parent, UBSI. Accordingly, the Company provides for income taxes based on its taxable income or loss multiplied by UBSI's approximate effective tax rate and remits to or receives from UBSI amounts payable or receivable. The Company's results of operations are included in the consolidated income tax return of UBSI. The primary component of income tax expense is current income tax due to UBSI. During 2006, the Company paid \$318,687 of income taxes to UBSI and had a receivable from UBSI of \$98,143 as of December 31, 2006, related to the overpayment of income taxes. The receivable is included in other assets on the statement of financial condition.

## United Brokerage Services, Inc.

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

##### Employee Benefit Plans

The Company participates in UBSI's defined benefit retirement plan as well as a deferred compensation plan under Section 401(k) of the Internal Revenue Code. UBSI's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. The Company's portion of the 2006 contribution was \$168,296. Pension and 401(k) expenses for 2006 were \$8,220 and \$22,323 respectively. These expenses are included in the salaries and employee benefits total in the statement of income. Effective December 31, 2006, UBSI adopted Financial Accounting Standards Board (FASB) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)*, which required the recognition in the statement of financial position of a liability, for plans which are underfunded, or an asset, for funds which are overfunded. Prior to the adoption of FASB 158, the Company recorded its allocated portion of the United defined benefit retirement plan as a prepaid pension asset. Upon the adoption of FASB 158, the Company adjusted the allocated portion of the prepaid pension asset to properly reflect its allocated portion of the funded status of United's defined benefit retirement plan, which resulted in an overfunded allocated pension asset of \$169,774 as of December 31, 2006. The Company also recorded a defined tax liability of \$67,580 as of December 31, 2006, associated with the allocated pension asset.

#### 3. Related Party Transactions

United provides certain management services to the Company, including accounting and administrative functions. In addition, United is providing rental space to the Company for a nominal annual cost of \$1. For the year ended December 31, 2006, the Company paid \$75,000 to United, which is included in other expenses on the statement of income.

#### 4. Contingencies

The Company applies the provisions of the FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, which provides accounting and disclosure requirements for certain guarantees. The Company has agreed to indemnify the clearing broker for losses that it may sustain from customer accounts introduced by the Company. As of December 31, 2006, there were no amounts to be indemnified related to such agreement.

## Supplementary Information

United Brokerage Services, Inc.

Computation of Net Capital Under Rule 15c3-1

December 31, 2006

<b>Shareholder's equity</b>	<b>\$ 3,108,385</b>
-----------------------------	---------------------

**Deductions and/or charges**

Nonallowable assets:

Fixed assets	51,397
Prepaid expenses	40,752
Restricted interest-bearing account	20,703
Nonallowable receivables	392,358
Allocated pension asset	169,774
Other assets	99,080

Total deductions and/or charges

774,064

**Net capital before haircuts on securities positions**

2,334,321

Haircut on securities

54,527

**Net capital**

\$ 2,279,794

**Aggregate indebtedness**

Total liabilities

\$ 67,580

**Net capital requirement**

\$ 250,000

**Excess net capital**

\$ 2,029,794

*There were no material differences between the audited computation of Net Capital included in this report and the corresponding schedule included in the Company's unaudited December 31, 2006, Part IIA FOCUS filing.*

United Brokerage Services, Inc.

Statement Regarding Rule 15c3-3

December 31, 2006

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under Section (k)(2)(ii) of that Rule.

# Supplementary Report

## Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5

The Board of Directors  
United Brokerage Services, Inc.

In planning and performing our audit of the financial statements of United Brokerage Services, Inc. (the Company), as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control), as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. The study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities and Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst & Young LLP*

February 27, 2007

END